

**GREENVILLE
PUBLIC SCHOOLS
Ionia, Kent, and Montcalm
Counties, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2007

GREENVILLE PUBLIC SCHOOLS
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For the year ended June 30, 2007

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 24, 2007

The Board of Education
Greenville Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Greenville Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Greenville Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2007 on our consideration of Greenville Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Greenville Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

As management of the Greenville Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 10,156,811	\$ 10,028,068
Net capital assets	<u>44,929,213</u>	<u>45,459,968</u>
Total Assets	<u>55,086,024</u>	<u>55,488,036</u>
Liabilities		
Current liabilities	9,410,527	9,453,744
Long-term liabilities	<u>42,562,223</u>	<u>45,353,881</u>
Total Liabilities	<u>51,972,750</u>	<u>54,807,625</u>
Net Assets		
Invested in capital assets, net of related debt	33,193	(1,213,069)
Restricted	384,101	285,723
Unrestricted	<u>2,695,980</u>	<u>1,607,757</u>
Total Net Assets	<u>\$ 3,113,274</u>	<u>\$ 680,411</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The Statement of Activities presents changes in net assets from operating results:

	2007	2006
Program Revenues		
Charges for services	\$ 807,287	\$ 916,111
Operating grants	2,619,893	2,741,317
General Revenues		
Property taxes	8,803,770	8,064,840
State school aid, unrestricted	23,467,682	22,534,805
Interest and investment earnings	297,731	177,524
Other	250,935	269,675
Total Revenues	36,247,298	34,704,272
Expenses		
Instruction	17,495,268	17,251,663
Supporting services	10,560,712	10,349,383
Community services	156,588	194,268
Food service	1,029,842	979,631
Athletics	632,426	656,482
Interest on long-term debt	2,288,340	2,305,399
Depreciation – unallocated	1,651,259	2,125,312
Total Expenses	33,814,435	33,862,138
Increase in net assets	2,432,863	842,134
Net Assets - Beginning of Year	680,411	(161,723)
Net Assets - End of Year	\$ 3,113,274	\$ 680,411

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors.

The District's total revenues increased \$1.54 million (4.45 percent) to \$36.24 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing about 89 percent of every dollar raised. Another 7 percent came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings, donations and miscellaneous sources.

The total cost of all programs and services decreased .14 percent to \$33.81 million. Reductions in depreciation expense and interest on long-term debt were the largest contributors to this reduction. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (60 percent). The District's administrative and business activities accounted for 8 percent of total costs. Operation and maintenance expenses accounted for 8 percent of the total costs.

Total revenues surpassed expenses, increasing net assets by \$2,432,863 over last year.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

The District has been able to continue to balance the General Fund budget through a series of cost savings measures that include:

- Cost containment in health care expenditures.
- Energy Essentials – an environmental and cost savings program for energy management.
- The current trend to reduce costs will continue. At the present time the District is actively pursuing a strategic plan that will guide the district for the next 5 years. The plan includes looking at revenue enhancement options as well as a facilities study.

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Greenville Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$30,361,247, total other financing sources (transfers in) of \$75,000, total expenditures of \$29,004,247, and total other financing uses (transfers out) of \$609,957. It ended the fiscal year with a fund balance of \$2,526,101, up from \$1,704,058 as of June 30, 2006.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Debt Service Fund

The Debt Service Fund had total revenues of \$4,675,450, transfers in of \$90,767 and total expenditures of \$4,725,575. It ended the year with a fund balance of \$614,140, up from \$573,498 at June 30, 2006.

Building and Site Fund

The Building and Site Fund had interest earnings of \$11,861. Expenditures totaled \$995,706, leaving a fund balance of \$50,540 at June 30, 2007.

Nonmajor Funds

Special Revenue Funds

The District operates three Special Revenue Funds, for the food service, athletic and book store programs. Total revenues were \$1,266,311 and other financing sources (transfers in) were \$519,190. Total expenditures were \$1,680,841 and other financing uses (transfers out) were \$75,000. The ending fund balances were \$202,009, of which \$196,407 is attributable to the Food Service Fund and \$5,602 to the Bookstore Fund.

Fiduciary Funds

The District operates the Scholarship Fund and the Student Activity Fund. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2007 totaled \$339,685.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into the following categories:

- Changes made in December to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year. There were significant changes to federal programs and state categoricals.
- Final changes made in June for increases in appropriations to prevent budget overruns and adjust for tax calculations.
- Although the District's final budget for the General Fund anticipated revenues would exceed expenditures by \$231,542, the actual results for the year show a \$822,043 increase in fund balance.
- Actual revenues were \$84,310 higher than budgeted, due largely to interdistrict sources that were unanticipated for the year.
- Actual expenditures were \$475,381 below final budgeted amounts, due primarily to a budget freeze which was precipitated by uncertainty in state allocations.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had invested \$71.21 million in a broad range of capital assets, including land and land improvements, school buildings, athletic facilities, computer equipment, school buses, and administrative offices. This amount represents an increase of \$924,833 from June 30, 2006, due mainly to a completed roofing project. More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

The net book value of District assets at June 30, 2007 are as follows:

Land	\$ 100,000
Land improvements	3,044,002
Buildings and additions	40,276,018
Furniture and equipment	735,928
Vehicles	<u>773,265</u>
Net Capital Assets	<u><u>\$ 44,929,213</u></u>

Long-Term Debt

At year end, the District had \$45 million in general obligation bonds and other long-term debt outstanding – a decrease of \$3 million from last year.

- The District continued to pay down its debt, retiring \$2.04 million of outstanding bonds and \$800M of State School Bond Loan Fund liability.

The District's other obligations include installment purchase agreements and early retirement incentive . We present more detailed information about our long-term liabilities in Note G to the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District effectively negotiated a one-year contract with our teacher (GEA) union and support employee (GESPA) union at the end of the 2007 fiscal year. During this contract we were able to increase salaries at very modest levels (average increase was 1.17%). We were also able to change health insurance plans which did reduce our overall health insurance costs. We hope to successfully negotiate salaries with our teachers and support groups for next year.
- The District has experienced large increases in health insurance premium costs over the past three years (in excess of 10% per year). These increases have amounted to increases in health insurance costs of over \$350,000 per year. The District must continue to work with all of our employee groups in an attempt to find viable solutions as related to health insurance. The District cannot continue to support the types of increases in health insurance premiums that have now occurred over the past several years.

GREENVILLE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2007

- Another area of substantial concern is the retirement rate school districts must pay on employee salaries. Over the past several years schools have experienced substantial increases in this area. We must continue to work with our State Legislature to get some reform in the Michigan School Employee Retirement System.
- Enrollment continues to be stable in the District. Recently we have seen a modest decrease for the 2007-08 school year. We did have an increase of 50 students for the 2006-07 year.
- The current state of the Michigan economy has created a financial hardship on most schools in the State. Currently the state aid budget has not been finalized. We do expect a very modest increase. We are not able to anticipate how much we will get with any degree of accuracy at this time. Unless the State can stabilize our funding resources and legislate reforms for health care and retirement, our financial position will worsen, causing additional budget reductions, which will impact the programs and services we provide for our students.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Greenville Public Schools, 1414 W. Chase Road, Greenville, Michigan 48838.

BASIC FINANCIAL STATEMENTS

GREENVILLE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 144
Cash equivalents, deposits and investments (Note B)	5,502,487
Receivables:	
Taxes (Note C)	72,414
Accounts	48,213
Due from other governmental units (Note C)	4,516,613
Inventory (Note A)	7,001
Prepaid expenses	9,939
Total Current Assets	<u>10,156,811</u>
Noncurrent Assets	
Capital assets (Note E)	71,210,685
Less accumulated depreciation	(26,281,472)
Total Noncurrent Assets	<u>44,929,213</u>
Total Assets	<u>55,086,024</u>
Liabilities	
Current Liabilities	
Accounts payable	936,150
State aid anticipation loan payable (Note F)	3,800,000
Due to other governmental units	423,825
Accrued interest payable	462,008
Salaries payable	1,376,715
Deferred revenue	14,300
Current portion of long term obligations	2,397,529
Total Current Liabilities	<u>9,410,527</u>
Noncurrent Liabilities (Note A, G)	
General obligation bonds payable	35,380,000
Energy conservation improvement bonds payable	1,005,000
Durant nonplaintiff bonds payable	276,856
State school bond loan payable	7,605,623
Installment purchase agreements payable	608,273
Early retirement incentive/severance pay	84,000
Current portion of long term obligations	(2,397,529)
Total Noncurrent Liabilities	<u>42,562,223</u>
Total Liabilities	<u>51,972,750</u>
Net Assets	
Invested in capital assets, net of related debt	33,193
Restricted for:	
Debt service	333,561
Capital projects	50,540
Unrestricted	2,695,980
Total Net Assets	<u><u>\$ 3,113,274</u></u>

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 17,495,268	\$ 281,464	\$ 1,835,678	\$(15,378,126)
Supporting services	10,560,712	5,642	-	(10,555,070)
Community services	156,588	-	-	(156,588)
Food service	1,029,842	406,848	727,792	104,798
Athletics	632,426	113,333	-	(519,093)
Interest on long-term debt	2,288,340	-	56,423	(2,231,917)
Depreciation - unallocated	1,651,259	-	-	(1,651,259)
Total Governmental Activities	\$ 33,814,435	\$ 807,287	\$ 2,619,893	(30,387,255)
General Revenues				
Taxes:				
Property taxes, levied for general operations				4,269,382
Property taxes, levied for debt service				4,534,388
State school aid, unrestricted				23,467,682
Interest and investment earnings				297,731
Gain (loss) on sale of capital assets				(45,607)
Other				296,542
Total General Revenues				32,820,118
Change in Net Assets				2,432,863
Net Assets - Beginning of Year				680,411
Net Assets - End of Year				\$ 3,113,274

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Building and Site</u>
Assets			
Cash	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments (Note B)	4,597,824	614,087	50,540
Receivables:			
Taxes (Note C)	51,870	20,544	-
Accounts	47,561	-	-
Due from other governmental units (Note C)	4,507,624	53	-
Inventory (Note A)	-	-	-
Prepaid expenditures	9,939	-	-
Total Assets	<u><u>\$ 9,214,818</u></u>	<u><u>\$ 634,684</u></u>	<u><u>\$ 50,540</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 902,369	\$ -	\$ -
State aid anticipation loan payable (Note F)	3,800,000	-	-
Due to other governmental units	422,018	-	-
Accrued interest payable	140,617	-	-
Salaries payable	1,369,947	-	-
Deferred revenue	53,766	20,544	-
Total Liabilities	<u>6,688,717</u>	<u>20,544</u>	<u>-</u>
Fund Balances			
Reserved for:			
Debt service	-	614,140	-
Capital outlay	-	-	50,540
Unreserved:			
Designated	222,367	-	-
Undesignated, reported in:			
General fund	2,303,734	-	-
Special revenue funds	-	-	-
Total Fund Balances	<u>2,526,101</u>	<u>614,140</u>	<u>50,540</u>
Total Liabilities and Fund Balances	<u><u>\$ 9,214,818</u></u>	<u><u>\$ 634,684</u></u>	<u><u>\$ 50,540</u></u>

See accompanying notes to basic financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 144	\$ 144
240,036	5,502,487
-	72,414
652	48,213
8,936	4,516,613
7,001	7,001
-	9,939
<u>\$ 256,769</u>	<u>\$ 10,156,811</u>

33,781	\$ 936,150
-	3,800,000
1,807	423,825
-	140,617
6,768	1,376,715
12,404	86,714
<u>54,760</u>	<u>6,764,021</u>

-	614,140
-	50,540
-	222,367
-	2,303,734
202,009	202,009
<u>202,009</u>	<u>3,392,790</u>
<u>\$ 256,769</u>	<u>\$ 10,156,811</u>

GREENVILLE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances			\$ 3,392,790
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$71,210,685 and accumulated depreciation is \$26,281,472.			
			44,929,213
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(35,380,000)	
Energy conservation improvement bonds		(1,005,000)	
Durant non-plaintiff bonds		(276,856)	
State school bond loan		(7,605,623)	
Installment purchase agreements		(608,273)	
Early retirement incentive		(84,000)	(44,959,752)
Accrued interest is not included as a liability in governmental funds.			(321,391)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			72,414
Total net assets - governmental activities			\$ 3,113,274

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Debt Service	Building and Site
Revenues			
Local sources	\$ 5,057,887	\$ 4,675,450	\$ 11,861
State sources	24,249,419	-	-
Federal sources	731,857	-	-
Interdistrict sources	322,084	-	-
Total Revenues	<u>30,361,247</u>	<u>4,675,450</u>	<u>11,861</u>
Expenditures			
Current:			
Instruction	17,726,360	-	-
Supporting services	10,731,229	-	-
Community services	156,588	-	-
Food service	-	-	-
Athletics	-	-	-
Book store	-	-	-
Capital outlay	-	-	995,706
Debt service:			
Principal repayment	345,794	2,833,474	-
Interest and fiscal charges	41,941	1,892,101	-
Interdistrict	2,335	-	-
Total Expenditures	<u>29,004,247</u>	<u>4,725,575</u>	<u>995,706</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,357,000</u>	<u>(50,125)</u>	<u>(983,845)</u>
Other Financing Sources (Uses)			
Transfers in	75,000	90,767	-
Transfers out	(609,957)	-	-
Total Other Financing Sources (Uses)	<u>(534,957)</u>	<u>90,767</u>	<u>-</u>
Net Change in Fund Balances	822,043	40,642	(983,845)
Fund Balances, Beginning of Year	<u>1,704,058</u>	<u>573,498</u>	<u>1,034,385</u>
Fund Balances, End of Year	<u><u>\$ 2,526,101</u></u>	<u><u>\$ 614,140</u></u>	<u><u>\$ 50,540</u></u>

See accompanying notes to basic financial statements.

Nonmajor	Total
\$ 538,519	\$10,283,717
69,664	24,319,083
658,128	1,389,985
-	322,084
1,266,311	36,314,869
-	17,726,360
-	10,731,229
-	156,588
1,029,842	1,029,842
632,426	632,426
18,573	18,573
-	995,706
-	3,179,268
-	1,934,042
-	2,335
1,680,841	36,406,369
(414,530)	(91,500)
519,190	684,957
(75,000)	(684,957)
444,190	-
29,660	(91,500)
172,349	3,484,290
\$ 202,009	\$ 3,392,790

GREENVILLE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$(91,500)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 1,166,111	
Depreciation expense	<u>(1,651,259)</u>	(485,148)

On the Statement of Activities proceeds from the sale of capital assets are replaced by the gain (loss) on the transaction. (45,607)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (21,964)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (375,574)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of general obligation bonds	2,833,474	
Repayment of installment purchase agreements	227,402	
Repayment of capital leases	<u>118,504</u>	3,179,380

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 21,276

In the Statement of Net Assets, early retirement incentive is measured by the amount earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits paid/used (\$252,000) exceeded the amounts earned (\$-). 252,000

Total changes in net assets - governmental activities \$2,432,863

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 4,928,424	\$ 5,150,532	\$ 5,057,887	\$ (92,645)
State sources	23,998,390	24,190,976	24,249,419	58,443
Federal sources	787,836	745,398	731,857	(13,541)
Interdistrict sources	381,861	190,031	322,084	132,053
Total Revenues	30,096,511	30,276,937	30,361,247	84,310
Expenditures				
Current:				
Instruction:				
Basic programs	14,127,267	14,041,722	13,826,260	215,462
Added needs	3,899,243	3,976,380	3,900,100	76,280
Supporting services:				
Pupil services	1,740,923	1,794,421	1,755,193	39,228
Instructional staff services	1,302,762	1,328,819	1,225,041	103,778
General administrative services	456,947	410,980	400,450	10,530
School administrative services	1,741,217	1,681,083	1,650,876	30,207
Business services	482,018	654,666	665,264	(10,598)
Operation and maintenance services	2,790,044	2,884,619	2,880,737	3,882
Pupil transportation services	1,096,239	1,285,902	1,209,483	76,419
Central services	774,233	791,567	873,236	(81,669)
Other supporting services	77,780	74,732	70,949	3,783
Community services	219,453	166,481	156,588	9,893
Debt service:				
Principal repayment	395,906	345,906	345,794	112
Interest and fiscal charges	210,351	40,000	41,941	(1,941)
Interdistrict	231,500	2,350	2,335	15
Total Expenditures	29,545,883	29,479,628	29,004,247	475,381
Excess Of Revenues Over Expenditures	550,628	797,309	1,357,000	559,691
Other Financing Sources (Uses)				
Transfers in	-	75,000	75,000	-
Transfers out	(550,000)	(640,767)	(609,957)	30,810
Total Other Financing Sources (Uses)	(550,000)	(565,767)	(534,957)	30,810
Net Change in Fund Balances	628	231,542	822,043	590,501
Fund Balances, July 1	1,704,058	1,704,058	1,704,058	-
Fund Balances, June 30	\$ 1,704,686	\$ 1,935,600	\$ 2,526,101	\$ 590,501

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash equivalents, deposits and investments (Note B)	<u>\$ 48,787</u>	<u>\$ 290,898</u>
Liabilities		
Due to student groups	<u>-</u>	<u>\$ 290,898</u>
Net Assets		
Held in trust for: Individuals and organizations	<u>\$ 48,787</u>	

See accompanying notes to basic financial statements.

GREENVILLE PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 1,998
Donations	5,420
Total Additions	<u>7,418</u>
Deductions	
Endowment activities - scholarships	<u>7,000</u>
Change In Net Assets	418
Net Assets, Beginning of Year	<u>48,369</u>
Net Assets, End of Year	<u><u>\$ 48,787</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Greenville Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,891 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Greenville Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund, Debt Service Fund and the Building and Site Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletics, and Book Store Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Greenville Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Greenville Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Assistant Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of custodial and maintenance supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive

Early retirement incentive has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive amounted to \$84,000.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:	
Governmental activities	\$ 5,502,487
Cash equivalents, deposits and investments of Fiduciary Funds	
Agency Fund	<u>339,685</u>
	<u>\$ 5,842,172</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Fifth Third Bank
2. Huntington National Bank
3. Chase J.P. Morgan Bank, N.A.

Cash equivalents consist of bank public funds checking and savings accounts. Deposits consist of certificates of deposit.

June 30, 2007 balances are detailed as follows:

Cash equivalents	\$ 957,010
Deposits	<u>42,218</u>
	<u>\$ 999,228</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$999,228 and the bank balance was \$1,534,168. Of the bank balance, \$201,000 was covered by federal depository insurance and \$1,333,168 was uninsured.

Investments

As of June 30, 2007 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Accounts:	
MBIA Public Funds Accounts	<u>\$ 4,842,944</u>

Custodial Credit Risk

The District minimizes custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by State statute, and pre-qualifying the financial institution, broker/dealers, intermediaries and advisors with which the District will do business.

Credit Risk

The District's investments in the MBIA Public Funds Accounts investment pool were unrated.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Greenville Public School District, and paid to the State of Michigan, totaled \$3,752,618.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September, 2006. The 2006-07 "Foundation Allowance" for Greenville Public Schools was \$7,085 for 3,872 "Full Time Equivalent" students, generating \$24,290,434 in state aid payments to the District of which \$4,186,973 was paid to the District in July and August, 2007 and is included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund at June 30, 2007.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the City of Greenville, and December 1 by the Townships of Otisco, Oakfield, Spencer, Eureka, Fairplains, Montcalm and Sidney. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Ionia, Kent and Montcalm, through their Delinquent Tax Revolving Funds, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Year	General	Debt Service	Total
2006	\$ 43,897	\$ 17,071	\$ 60,968
2005	7,973	3,473	11,446
	<u>\$ 51,870</u>	<u>\$ 20,544</u>	<u>\$ 72,414</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Section 1211(1) of 1993 PA 32 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, which ever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

District electors previously (June, 2005) approved a ten year operating millage extension for the 18 mill non-homestead property tax, levied in 2006.

The District levied 7.0 mills for debt service purposes in 2006, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Transfers between funds during the year ended June 30, 2007 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ 75,000	\$ —
Athletics Fund	—	519,190
Debt Service Fund	—	90,767
	<u>75,000</u>	<u>609,957</u>
Special Revenue Funds:		
Food Service:		
General Fund	—	75,000
Athletics Fund:		
General Fund	519,190	—
Debt Service Fund:		
General Fund	<u>90,767</u>	<u>—</u>
Total All Funds	<u><u>\$ 684,957</u></u>	<u><u>\$ 684,957</u></u>

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year, and the Food Service Fund transfer was made to pay indirect costs. The General Fund transfer to the Debt Service Fund was made to fund the Energy Conservation Bond requirements.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balances July 1, 2006	Additions	Deductions	Balances June 30, 2007
Land	\$ 100,000	\$ —	\$ —	\$ 100,000
Land improvements	4,357,146	—	—	4,357,146
Buildings and additions	59,988,412	986,273	—	60,974,685
Furniture and equipment	4,096,948	135,827	241,278	3,991,497
Vehicles	1,743,346	44,011	—	1,787,357
	<u>70,285,852</u>	<u>\$ 1,166,111</u>	<u>\$ 241,278</u>	<u>71,210,685</u>
Totals at historical cost				
Land improvements	\$ 1,094,286	\$ 218,858	\$ —	\$ 1,313,144
Buildings and additions	19,475,431	1,223,236	—	20,698,667
Furniture and equipment	3,399,213	52,027	195,671	3,255,569
Vehicles	856,954	157,138	—	1,014,092
	<u>24,825,884</u>	<u>\$ 1,651,259</u>	<u>\$ 195,671</u>	<u>26,281,472</u>
Total accumulated depreciation				
Net Capital Assets	<u>\$ 45,459,968</u>			<u>\$ 44,929,213</u>

The District considers all capital assets to be multi-use and, as such, does not allocate depreciation expense to the various expense functions. Depreciation expense of \$1,651,259 is recorded net of a \$127,117 reduction in accumulated depreciation to furniture and equipment to adjust the amounts reported in the financial statements to agree with the District's detailed property and equipment records.

Note F – Short-term Debt

The \$3,800,000 August 18, 2005 state aid anticipation loan was repaid on August 18, 2006. On August 18, 2006, the District borrowed \$3,800,000 in anticipation of state aid (interest at 3.68%), due in full on August 20, 2007. Total interest expense on the loans was \$140,617 for the fiscal year.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	Bond Issues	State School Bond Loan	Installment Purchase Agreements	Early Retirement Incentive	Total
Amounts Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 614,140	\$ —	\$ —	\$ —	\$ 614,140
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	276,856	—	—	—	276,856
General Fund	1,005,000	—	608,273	84,000	1,697,273
Debt Service Funds	34,765,860	7,605,623	—	—	42,371,483
Total Amounts Available And To Be Provided	\$ 36,661,856	\$ 7,605,623	\$ 608,273	\$ 84,000	\$44,959,752

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
June 15, 1998	\$ 26,445,000	\$ —	\$ 1,535,000	\$ 24,910,000
October 26, 1999	1,370,000	—	410,000	960,000
March 1, 2001	9,555,000	—	45,000	9,510,000
Energy conservation improvement bonds:				
May 8, 2006	1,055,000	—	50,000	1,005,000
Durant nonplaintiff bonds:				
November 13, 1998	276,856	—	—	276,856
State school bond loan	8,023,523	375,574	793,474	7,605,623
Installment purchase agreements	835,675	—	227,402	608,273
Capital leases	118,504	—	118,504	—
Early retirement incentive	336,000	—	252,000	84,000
	\$ 48,015,558	\$ 375,574	\$ 2,712,190	\$ 44,959,752

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Long-term bonds and notes outstanding at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$30,150,000 1998 Refunding:				
Annual maturities of \$1,385M to \$1,525M	May 1, 2024	4.45 - 5.00	\$24,910,000	\$ 1,525,000
\$4,435,000 1999 Building and Site:				
Annual maturities of \$460M to \$500M	May 1, 2009	6.25 - 6.375	960,000	460,000
\$9,955,000 2001 Refunding:				
Annual maturities of \$50M to \$600M	May 1, 2025	4.00 - 5.25	9,510,000	50,000
Energy Conservation Improvement Bonds				
\$1,055,000 2006 Improvement:				
Annual maturities of \$50M to \$95M	May 1, 2018	4.00 - 4.375	1,005,000	50,000
Durant Non-plaintiff Bonds				
\$468,878 1998 School Improvement:				
Annual maturities of \$26,095 to \$164,788	May 15, 2013	4.761353	276,856	—
Installment Purchase Agreements				
\$668,240 2005 School Buses:				
Annual maturities of \$133,000	July 15, 2009	3.11	399,000	133,000
\$330,244 2005 Computers:				
Annual maturities of \$82,500	July 15, 2008	3.36	165,000	82,500
\$66,178 2005 Risograph:				
Annual maturities of \$1,366 to \$15,615	Aug. 21, 2010	7.75	44,273	13,029
			\$37,270,129	\$ 2,313,529

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, \$375,574 of accrued interest was added to the District’s liability to the Fund and \$793,474 of principal payments were made to the Fund. At June 30, 2007, the District owed the Fund a total of \$7,605,623.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The annual requirements to pay principal and interest on long-term bonds and notes outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 2,313,529	\$ 1,814,516	\$ 4,128,045
2009	2,395,858	1,712,592	4,108,450
2010	2,315,951	1,597,126	3,913,077
2011	2,155,004	1,489,729	3,644,733
2012	2,164,999	1,390,366	3,555,365
2013	2,289,788	1,343,162	3,632,950
2014	2,150,000	1,181,191	3,331,191
2015	2,140,000	1,072,868	3,212,868
2016	2,140,000	965,046	3,105,046
2017	2,135,000	857,271	2,992,271
2018	2,130,000	751,281	2,881,281
2019	2,120,000	645,312	2,765,312
2020	2,115,000	539,843	2,654,843
2021	2,110,000	434,656	2,544,656
2022	2,010,000	329,750	2,339,750
2023	2,000,000	229,250	2,229,250
2024	1,985,000	129,250	2,114,250
2025	600,000	30,000	630,000
	<u>\$37,270,129</u>	<u>\$16,513,209</u>	<u>\$53,783,338</u>

On March 1, 2001, the District issued \$9,955,000 in general obligation bonds to advance refund outstanding 1995 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2009). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$10,192,000 on the defeased debt at June 30, 2007 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	<u>\$ 9,425,955</u>	<u>\$ 9,345,967</u>	<u>\$ 9,425,955</u>

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$17,388,236. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$3,003,656, \$2,720,110 and \$2,391,235, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

GREENVILLE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Post-employment benefits for health, dental and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note I – Risk Management and Benefits

The District is a member of the SET-SEG Incorporated Insurance Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2007, there were no material pending claims against the District. The District paid \$128,379 in premiums to the Fund for the year ended June 30, 2007.

The District is also a member of the SET-SEG Incorporated Workers' Compensation Pooled Fund (the Fund). Premiums from participants in the Fund provide coverage to pay claims, administrative expenses and to purchase reinsurance to protect the Fund and members against large losses. As of June 30, 2007, there were no material pending claims against the District. The District paid \$23,470 in premiums to the Fund for the year ended June 30, 2007.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J – Commitments

On May 8, 2006, the District issued \$1,055,000 of energy conservation improvement bonds whose proceeds are being used for building renovations and improvements. At June 30, 2007, unspent balances committed to this construction project totaled approximately \$50,000, which are expected to be fully expended by the year ended June 30, 2008.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ -	\$ 100
Cash equivalents, deposits and investments	4,597,824	3,512,217
Receivables:		
Taxes	51,870	67,350
Accounts	47,561	53,404
Due from other governmental units	4,507,624	4,483,039
Prepaid expenditures	9,939	13,810
Total Assets	<u><u>\$ 9,214,818</u></u>	<u><u>\$ 8,129,920</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 902,369	\$ 702,939
State aid anticipation loan payable	3,800,000	3,800,000
Due to other funds	-	10,946
Due to other governmental units	422,018	453,724
Accrued interest payable	140,617	110,652
Salaries payable	1,369,947	1,276,216
Deferred revenue	53,766	71,385
Total Liabilities	<u>6,688,717</u>	<u>6,425,862</u>
Fund Balances		
Unreserved:		
Designated	222,367	222,367
Undesignated	2,303,734	1,481,691
Total Fund Balances	<u>2,526,101</u>	<u>1,704,058</u>
Total Liabilities and Fund Balances	<u><u>\$ 9,214,818</u></u>	<u><u>\$ 8,129,920</u></u>

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Local sources:		
Property taxes:		
Current property taxes	\$ 4,143,664	\$ 3,758,677
Delinquent property taxes	59,225	32,754
Other taxes	80,118	-
Interest on delinquent taxes	1,855	43
	<u>4,284,862</u>	<u>3,791,474</u>
Interest earnings:		
Interest on deposits and investments	206,727	122,780
Other local revenue:		
Preschool fees	72,105	72,105
Childcare fees	146,168	180,068
Medicaid payments	132,796	193,204
Theater ticket sales	5,642	5,359
Donations	66,412	115,251
Rental of school property	69,835	68,118
Universal service fund	26,011	46,678
Sale of school property	-	82,558
Refunds of expenditures	20,990	3,304
Miscellaneous	26,339	52,388
	<u>566,298</u>	<u>819,033</u>
Total local sources	5,057,887	4,733,287
State sources:		
State aid	24,249,419	23,280,225
Federal sources:		
Title I	509,079	560,963
Title V	782	1,528
Drug free schools	10,336	16,192
I.D.E.A. program	10,913	6,007
Title IIA - Improving teacher quality	192,197	192,867
Title IID - Technology literacy grant	5,281	10,465
Summer food program	3,269	5,259
Service provider review	-	3,539
Homeland security grant	-	7,437
Total federal sources	<u>731,857</u>	<u>804,257</u>
Interdistrict sources:		
Special education - county	192,053	184,481
Special education - local districts	130,031	137,321
Total interdistrict sources	<u>322,084</u>	<u>321,802</u>
Total Revenues	<u><u>\$ 30,361,247</u></u>	<u><u>\$ 29,139,571</u></u>

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 3,916,449	\$ 3,959,435
Employee benefits	1,878,996	1,885,951
Purchased services	31,350	54,136
Supplies	95,375	181,150
Capital outlay	11,271	45,380
Miscellaneous	4,661	6,849
	<u>5,938,102</u>	<u>6,132,901</u>
Middle school:		
Salaries	2,117,896	1,984,245
Employee benefits	1,084,642	993,449
Purchased services	20,706	29,485
Supplies	109,600	64,001
Capital outlay	32,371	9,679
Miscellaneous	4,417	4,636
	<u>3,369,632</u>	<u>3,085,495</u>
High school:		
Salaries	2,655,621	2,590,761
Employee benefits	1,317,346	1,280,702
Purchased services	57,618	67,730
Supplies	192,544	113,380
Capital outlay	36,759	13,011
Miscellaneous	7,604	8,386
	<u>4,267,492</u>	<u>4,073,970</u>
Preschool:		
Salaries	135,780	145,039
Employee benefits	51,269	53,695
Purchased services	762	308
Supplies	5,703	4,712
Miscellaneous	1,435	2,566
	<u>194,949</u>	<u>206,320</u>
Summer school:		
Salaries	42,575	57,221
Employee benefits	10,473	13,041
Purchased services	1,000	3,700
Supplies	2,037	854
	<u>56,085</u>	<u>74,816</u>
Total basic programs	<u>13,826,260</u>	<u>13,573,502</u>
Added needs:		
Special education:		
Salaries	1,680,369	1,601,124
Employee benefits	814,126	801,490
Purchased services	246	11,586
Supplies	10,475	15,309
Payments to other districts	14,874	-
	<u>2,520,090</u>	<u>2,429,509</u>

(Continued)

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Compensatory education:		
Salaries	\$ 552,723	\$ 500,834
Employee benefits	273,725	270,335
Purchased services	276	-
Supplies	357	4,174
Miscellaneous	-	1,972
Payments to other districts	67,888	-
	<u>894,969</u>	<u>777,315</u>
Vocational education:		
Salaries	326,921	308,594
Employee benefits	151,168	133,993
Purchased services	-	15,466
Supplies	6,952	10,561
Capital outlay	-	37
	<u>485,041</u>	<u>468,651</u>
Total added needs	3,900,100	3,675,475
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	494,770	475,223
Employee benefits	237,819	235,874
Supplies	12,547	10,706
	<u>745,136</u>	<u>721,803</u>
Physical therapist services:		
Salaries	105	-
Employee benefits	27	-
Purchased services	19,399	19,066
Supplies	15,712	4,295
	<u>35,243</u>	<u>23,361</u>
Psychological services:		
Salaries	71,994	69,114
Employee benefits	31,248	30,722
Purchased services	774	643
Supplies	1,830	3,126
	<u>105,846</u>	<u>103,605</u>
Speech pathology services:		
Salaries	245,426	246,807
Employee benefits	122,404	125,829
Purchased services	11,500	763
Supplies	1,984	1,357
	<u>381,314</u>	<u>374,756</u>
Social worker services:		
Salaries	304,305	282,409
Employee benefits	136,033	122,947
Purchased services	6,555	322
Supplies	1,104	1,449
	<u>447,997</u>	<u>407,127</u>

(Continued)

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Teacher consultant services:		
Salaries	\$ 26,947	\$ 37,728
Employee benefits	12,239	16,912
Purchased services	313	521
Supplies	158	860
	<u>39,657</u>	<u>56,021</u>
Total pupil services	1,755,193	1,686,673
Instructional staff services:		
Improvement of instruction:		
Salaries	35,342	75,362
Employee benefits	6,555	29,349
Purchased services	42,491	84,181
Supplies	5,293	24,102
	<u>89,681</u>	<u>212,995</u>
Educational media services:		
Salaries	187,038	200,471
Employee benefits	109,743	115,100
Purchased services	28,846	28,148
Supplies	39,871	37,869
Miscellaneous	13,146	12,306
	<u>378,644</u>	<u>393,894</u>
Technology assisted instruction:		
Salaries	122,024	118,602
Employee benefits	81,635	98,497
	<u>203,659</u>	<u>217,099</u>
Supervision and direction of instruction:		
Salaries	312,724	219,605
Employee benefits	152,168	96,899
Purchased services	2,075	2,703
Supplies	3,006	6,546
Miscellaneous	472	1,356
	<u>470,445</u>	<u>327,109</u>
Supervision and direction of instruction:		
Salaries	48,487	45,346
Employee benefits	26,466	24,948
Purchased services	4,000	4,000
Capital outlay	3,659	-
	<u>82,612</u>	<u>74,294</u>
Total instructional staff services	1,225,041	1,225,391
General administrative services:		
Board of education:		
Purchased services	101,842	82,313
Miscellaneous	13,951	19,819
	<u>115,793</u>	<u>102,132</u>

(Continued)

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Executive administration:		
Salaries	\$ 172,793	\$ 223,355
Employee benefits	71,434	80,623
Purchased services	32,790	95,506
Supplies	4,844	4,618
Capital outlay	-	24,430
Miscellaneous	2,796	2,330
	<u>284,657</u>	<u>430,862</u>
Total general administrative services	400,450	532,994
School administrative services:		
Office of the principal:		
Salaries	1,113,994	1,086,690
Employee benefits	493,986	509,895
Purchased services	24,760	29,270
Supplies	4,035	4,317
Miscellaneous	8,753	10,897
	<u>1,645,528</u>	<u>1,641,069</u>
Other school administration:		
Supplies	5,348	3,571
Total school administrative services	<u>1,650,876</u>	<u>1,644,640</u>
Business services:		
Fiscal services:		
Salaries	220,328	239,330
Employee benefits	99,135	100,084
Purchased services	9,382	3,649
Supplies	5,686	8,361
Miscellaneous	1,482	9,086
	<u>336,013</u>	<u>360,510</u>
Internal services:		
Salaries	51,927	68,958
Employee benefits	26,570	31,822
	<u>78,497</u>	<u>100,780</u>
Other business services:		
Purchased services	21,693	27,835
Miscellaneous	229,061	180,696
	<u>250,754</u>	<u>208,531</u>
Total business services	<u>665,264</u>	<u>669,821</u>
Operation and maintenance services:		
Operation and maintenance:		
Salaries	919,855	875,606
Employee benefits	552,991	503,018
Purchased services	469,815	425,317
Supplies	911,846	877,778
Capital outlay	22,178	31,517
Miscellaneous	4,052	3,175
	<u>2,880,737</u>	<u>2,716,411</u>

(Continued)

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Security services:		
Purchased services	\$ -	\$ 9,037
Total operation and maintenance services	2,880,737	2,725,448
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 510,072	\$ 486,804
Employee benefits	336,877	382,681
Purchased services	29,705	87,956
Supplies	175,507	209,580
Capital outlay	3,127	-
Miscellaneous	1,897	1,654
Payments to other districts	152,298	-
Total pupil transportation services	1,209,483	1,168,675
Central services:		
Staff services:		
Salaries	63,427	69,123
Employee benefits	31,954	32,869
Purchased services	851	2,023
Supplies	710	396
Miscellaneous	235	1,874
	97,177	106,285
Technology services:		
Salaries	350,176	234,931
Employee benefits	122,411	111,437
Purchased services	85,566	114,447
Supplies	166,548	98,939
Capital outlay	51,154	381,731
Miscellaneous	204	564
	776,059	942,049
Technology services:		
Salaries	-	16,488
Employee benefits	-	9,628
	-	26,116
Total central services	873,236	1,074,450
Other supporting services:		
Other supporting services:		
Salaries	44,255	41,181
Employee benefits	10,882	9,641
Purchased services	3,101	1,855
Supplies	11,688	10,064
Miscellaneous	1,023	996
Total other supporting services	70,949	63,737
Community services:		
Community activities:		
Purchased services	-	600

(Continued)

GREENVILLE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Custody and care of children:		
Salaries	\$ 101,958	\$ 135,313
Employee benefits	41,902	44,491
Purchased services	419	1,525
Supplies	12,001	10,871
Capital outlay	308	320
	<u>156,588</u>	<u>192,520</u>
Non-public school pupils:		
Purchased services	-	800
Supplies	-	348
	<u>-</u>	<u>1,148</u>
Total community services	156,588	194,268
Debt service:		
Principal repayment	345,794	463,868
Interest and fiscal charges	41,941	18,753
Total debt service	<u>387,735</u>	<u>482,621</u>
Interdistrict:		
Special education - tuition	-	129,908
Special education - transportation	-	148,465
Other	2,335	24,914
Total interdistrict	<u>2,335</u>	<u>303,287</u>
Total Expenditures	<u><u>\$ 29,004,247</u></u>	<u><u>\$ 29,020,981</u></u>

NONMAJOR FUNDS

GREENVILLE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue			Total
	Food Service	Athletics	Book Store	
Assets				
Cash	\$ 144	\$ -	\$ -	\$ 144
Cash equivalents, deposits and investments	227,046	7,405	5,585	240,036
Accounts receivable	635	-	17	652
Due from other governmental units	8,936	-	-	8,936
Inventory	7,001	-	-	7,001
Total Assets	<u>\$ 243,762</u>	<u>\$ 7,405</u>	<u>\$ 5,602</u>	<u>\$ 256,769</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 29,551	\$ 4,230	\$ -	\$ 33,781
Due to other governmental units	1,093	714	-	1,807
Salaries payable	4,307	2,461	-	6,768
Deferred revenue	12,404	-	-	12,404
Total Liabilities	<u>47,355</u>	<u>7,405</u>	<u>-</u>	<u>54,760</u>
Fund Balances				
Unreserved:				
Undesignated	196,407	-	5,602	202,009
Total Liabilities and Fund Balances	<u>\$ 243,762</u>	<u>\$ 7,405</u>	<u>\$ 5,602</u>	<u>\$ 256,769</u>

GREENVILLE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue			
	Food Service	Athletics	Book Store	Total
Revenues				
Local sources:				
Interest earnings	\$ 988	\$ -	\$ -	\$ 988
Sales and admissions	406,848	113,333	17,350	537,531
Total local sources	407,836	113,333	17,350	538,519
State sources	69,664	-	-	69,664
Federal sources	658,128	-	-	658,128
Total Revenues	1,135,628	113,333	17,350	1,266,311
Expenditures				
Current:				
Food service	1,029,842	-	-	1,029,842
Athletics	-	632,426	-	632,426
Book store	-	-	18,573	18,573
Total Expenditures	1,029,842	632,426	18,573	1,680,841
Excess (Deficiency) of Revenues Over Expenditures	105,786	(519,093)	(1,223)	(414,530)
Other Financing Sources (Uses)				
Transfers in	-	519,190	-	519,190
Transfers out	(75,000)	-	-	(75,000)
Total Other Financing Sources (Uses)	(75,000)	519,190	-	444,190
Net Change in Fund Balances	30,786	97	(1,223)	29,660
Fund Balances, July 1	165,621	(97)	6,825	172,349
Fund Balances, June 30	\$ 196,407	\$ -	\$ 5,602	\$ 202,009

GREENVILLE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ -	\$ 988	\$ 988
Sales and admissions	443,250	406,848	(36,402)
Total local sources	443,250	407,836	(35,414)
State sources	49,200	69,664	20,464
Federal sources	601,800	658,128	56,328
Total Revenues	<u>1,094,250</u>	<u>1,135,628</u>	<u>41,378</u>
Expenditures			
Current:			
Food service	1,038,776	1,029,842	8,934
Excess of Revenues Over Expenditures	<u>55,474</u>	<u>105,786</u>	<u>50,312</u>
Other Financing Sources (Uses)			
Transfers out	-	(75,000)	(75,000)
Net Change in Fund Balances	55,474	30,786	(24,688)
Fund Balances, July 1	<u>165,621</u>	<u>165,621</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 221,095</u></u>	<u><u>\$ 196,407</u></u>	<u><u>\$ (24,688)</u></u>

GREENVILLE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Sales and admissions	<u>\$ 116,597</u>	<u>\$ 113,333</u>	<u>\$ (3,264)</u>
Expenditures			
Current:			
Athletics	<u>666,500</u>	<u>632,426</u>	<u>34,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(549,903)</u>	<u>(519,093)</u>	<u>30,810</u>
Other Financing Sources			
Transfers in	<u>550,000</u>	<u>519,190</u>	<u>(30,810)</u>
Net Change in Fund Balances	97	97	-
Fund Balances, July 1	<u>(97)</u>	<u>(97)</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

GREENVILLE PUBLIC SCHOOLS
Book Store Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Sales and admissions	<u>\$ 17,100</u>	<u>\$ 17,350</u>	<u>\$ 250</u>
Expenditures			
Current:			
Book Store	<u>18,575</u>	<u>18,573</u>	<u>2</u>
Net Change in Fund Balances	(1,475)	(1,223)	252
Fund Balances, July 1	<u>6,825</u>	<u>6,825</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 5,350</u></u>	<u><u>\$ 5,602</u></u>	<u><u>\$ 252</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

GREENVILLE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 323,745</u>	<u>\$ 543,787</u>	<u>\$ 576,634</u>	<u>\$ 290,898</u>
Liabilities				
Due to other funds	\$ 94	\$ -	\$ 94	\$ -
Due to student groups	<u>323,651</u>	<u>543,787</u>	<u>576,540</u>	<u>290,898</u>
Total Liabilities	<u>\$ 323,745</u>	<u>\$ 543,787</u>	<u>\$ 576,634</u>	<u>\$ 290,898</u>

OTHER INFORMATION

GREENVILLE PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Ionia County	Kent County		Townships
	Otisco	Oakfield	Spencer	Eureka
Taxable Valuations				
Operating	\$ 611,195	\$ 17,471,259	\$ 16,512,203	\$ 39,580,601
Debt Service	987,329	113,211,694	56,364,910	125,706,822
Rates (Mills)				
General Fund				
Debt Service Fund				
Taxes Levied 2006 Rolls				
General Fund	\$ 11,002	\$ 314,481	\$ 297,217	\$ 712,449
Debt Service Fund	6,911	792,473	394,549	879,941
	17,913	1,106,954	691,766	1,592,390
Taxes Uncollected 2006 Rolls				
General Fund	-	83	-	28,758
Debt Service Fund	-	33	-	11,183
	-	116	-	39,941
Taxes Collected 2006 Rolls				
General Fund	11,002	314,398	297,217	683,691
Debt Service Fund	6,911	792,440	394,549	868,758
	17,913	1,106,838	691,766	1,552,449
Delinquent Taxes Collected				
General Fund	-	-	-	16,009
Debt Service Fund	-	-	-	6,295
	-	-	-	22,304
Total Taxes Collected				
General Fund	11,002	314,398	297,217	699,700
Debt Service Fund	6,911	792,440	394,549	875,053
	<u>\$ 17,913</u>	<u>\$ 1,106,838</u>	<u>\$ 691,766</u>	<u>\$ 1,574,753</u>
Taxes Uncollected – June 30, 2007				
General Fund:				
2006	\$ -	\$ 83	\$ -	\$ 28,758
2005	-	-	-	6,007
	-	83	-	34,765
Debt Service Fund:				
2006	-	33	-	11,183
2005	-	-	-	2,501
	-	33	-	13,684
Total Taxes Uncollected	<u>\$ -</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ 48,449</u>

Montcalm County				
Fairplains	Montcalm	Sidney	City of Greenville	Total
\$ 2,761,870	\$ 19,145,790	\$ 438,136	\$140,973,577	\$237,494,631
20,448,056	77,196,927	3,299,925	228,220,661	625,436,324
				18,000
				7,000
				25,000
\$ 49,312	\$ 332,007	\$ 7,886	\$ 2,463,207	\$ 4,187,561
143,134	540,369	23,099	1,597,533	4,378,009
192,446	872,376	30,985	4,060,740	8,565,570
-	6,679	-	8,377	43,897
-	2,597	-	3,258	17,071
-	9,276	-	11,635	60,968
49,312	325,328	7,886	2,454,830	4,143,664
143,134	537,772	23,099	1,594,275	4,360,938
192,446	863,100	30,985	4,049,105	8,504,602
-	8,641	-	34,575	59,225
-	3,386	-	13,813	23,494
-	12,027	-	48,388	82,719
49,312	333,969	7,886	2,489,405	4,202,889
143,134	541,158	23,099	1,608,088	4,384,432
\$ 192,446	\$ 875,127	\$ 30,985	\$ 4,097,493	\$ 8,587,321
\$ -	\$ 6,679	\$ -	\$ 8,377	\$ 43,897
-	873	-	1,093	7,973
-	7,552	-	9,470	51,870
-	2,597	-	3,258	17,071
82	415	-	475	3,473
82	3,012	-	3,733	20,544
\$ 82	\$ 10,564	\$ -	\$ 13,203	\$ 72,414

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 24, 2007

The Board of Education
Greenville Public Schools
Montcalm County, Michigan

The following comments pertain to our audit of the financial records of Greenville Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Greenville Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Greenville Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Greenville Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Greenville Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Greenville Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Greenville Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Greenville Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of Greenville Public Schools for the year ended June 30, 2007.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$51,870 to record 2006 delinquent personal property taxes receivable at June 30, 2007.
2. \$140,617 to reverse accrued interest payable on the State Aid Anticipation Loan that was recorded twice.

Debt Service Fund

1. \$20,544 to record 2006 delinquent personal property taxes receivable at June 30, 2007.
2. \$56,422 to remove a prior year account payable not owed by the District.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Greenville Public Schools.

Suggestions And Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Greenville Public Schools to the Business Manager and District accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in and Audit*", which requires a written communication from an auditor to an organization's governing board if any weaknesses in internal controls ("control deficiencies") rise to the level of "significant deficiencies" or "material weaknesses" that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies, if found. While we did observe certain control deficiencies in areas of the District's internal control during the course of our audit, we found no significant deficiencies or material weaknesses in internal controls. The following recommendations relate to our internal control findings:

- We encourage the District to increase its activities in the areas of *segregation/sharing of duties* and the *monitoring of internal controls*, especially in the areas of payroll/human resources and in the cash-type transactions occurring outside the business office (athletics, food service, student activities, preschool, etc.)
- We encourage the District to support the Business Manager in furthering her, and her business office personnel, education in the area of governmental financial statement preparation to maintain compliance with current GAAP and GASB requirements. These are complex and constantly changing requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Greenville Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District increased by \$822,043 to \$2,526,101 at June 30, 2007, which represents approximately 8 percent of the District's 2007-08 expenditure budget, up from the 6 percent balance on hand at June 30, 2006. Maintaining a fund balance of 10 to 20 percent of the ensuing year's expenditure budget is advisable for Greenville Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

This communication is intended solely for the information and use of the Greenville Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Greenville Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldine, Nichols & Carter, P.C.

Certified Public Accountants